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# INTERNATIONAL TRADE

## increases demand for farm products

WE HAVE MANY GOODS  
TO SELL AND YOU HAVE  
MANY GOODS WE NEED

HEMP  
FLAX  
MINERAL OIL  
METALS  
HIDES AND SKINS  
RYE

SILK  
TEA  
BRISTLES  
TUNGSTEN  
DRUGS  
HEMP  
RICE  
SUGAR  
ANTIMONY  
SOYBEANS  
SPICE  
TIN  
RUBBER

WOOL  
ZINC  
LEAD  
SILVER  
PEARLS

PAPER  
NICKEL  
FISH  
JEWELRY  
CHEESE  
WOOL

MACHINERY  
COTTON  
TOBACCO  
WHEAT  
PORK  
FRUIT

COFFEE  
BANANAS  
RUBBER  
COCOA  
QUARTZ  
METALS  
CARPET WOOL  
ANIMAL PROD.  
DIAMONDS  
DRUGS  
HIDES

We'll buy from you

All right:  
If you buy from us

TWEEDS  
LINEN  
TOOLS  
POTASH  
MACHINERY  
MERCURY  
HIDES AND SKINS  
POTTERY  
HAIR

JUTE  
CHROMIUM  
MANGANESE  
LINSEED  
KYANITE  
GRAPHITE  
BERYL  
RICE  
TALC  
MICA

TIN  
DATES  
MERCURY  
DIAMONDS  
CLOVES  
CHROMIUM  
IVORY  
GRAPHITE  
WOOL  
GOLD

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U.S. DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE  
INTERBUREAU COMMITTEE ON POST-WAR PROGRAMS  
AUGUST 1944



# International Trade Increases Demand for Farm Products

The war has greatly increased United States needs for imported products, but it has cut off supplies of certain products we need from abroad. During the war, our exports have been high through lend-lease. What will happen after the war? Will international trade grow and expand or will it contract as it did before the war? What effect will it have on the welfare of farmers, whether it stays high or drops again?

In considering foreign trade after the war, and what we should do about it, farmers will need to do some hard thinking. This pamphlet tries to set forth some of the main facts on imports and exports, as shown by past experience, and how they have been related to farm prosperity. Other pamphlets which will be released later will discuss the various policies which the United States might adopt toward foreign trade after the war, and the advantages and disadvantages of various alternative policies.

The war has curtailed United States imports of many products we need from other countries. From bitter experience the people of this country have been taught a lesson of the importance of imports. Many people now realize how far this country is from being self-sufficient. When imports were reduced, shortages developed in sugar, coffee, vegetable oils, tin, rubber, silk, quinine, and chocolate. Systems of rationing and priorities were needed to regulate the distribution of some of these products.

International trade makes it possible for people in different countries to enjoy the use of things they cannot or do not produce. When international trade is interrupted, consumers have to go without, or accept substitutes, or make the products in their own country at excessively high costs. When world trade is resumed, people will have access to a greater variety of goods and make possible a higher level of living.

Except when war interrupts, the United States gets coffee from Brazil, sugar from Cuba, bananas from Honduras, and rubber from Malaya and the East Indies. The

United States has been largely dependent upon foreign countries for these and many other products. We do not produce coffee or bananas in this country. We cannot efficiently produce all the sugar we need. Until the war, we did not produce any rubber. On the other hand, we do produce cigarette tobacco, wheat, apples, automobiles, and machinery better than can these countries. It is good business for all countries to produce what they can produce to best advantage and then trade products with one another.

## Imports and Prosperity Go Together

During periods of prosperity we import large quantities of tin, copper, rubber, and other materials needed in industrial production. When our industrial production is large, imports received in this country are large, as figure 1 indicates. Large imports are necessary in order to keep production high. When industrial production drops, large quantities of materials are not needed; prices drop and imports decrease.

When our farmers or manufacturers sell cotton or lard or automobiles abroad, they want to be paid in dollars. The only way people of other countries can obtain dollars is to get them from us. The dollars we spend for imports, for foreign travel, and for other services, and the dollars we lend determine how much money other countries have available to spend for our goods. The more we buy from other countries, the more they can buy from us.

The United States has many products to sell. In fact, the United States ordinarily tries to sell more to foreign countries than it is willing to buy from them. That won't work unless we lend them the money with which to buy, and that kind of lending never has kept up in the past. We have already accumulated more than 75 percent of the world's gold, so there will be only a reduced possibility for other nations to pay in gold for imports from us. We cannot be paid for products we sell abroad over a long period unless we are willing to accept other goods or services as payment.

# IMPORTS RISE AND FALL WITH INDUSTRIAL PRODUCTION

INDEX NUMBERS (1935-39=100)

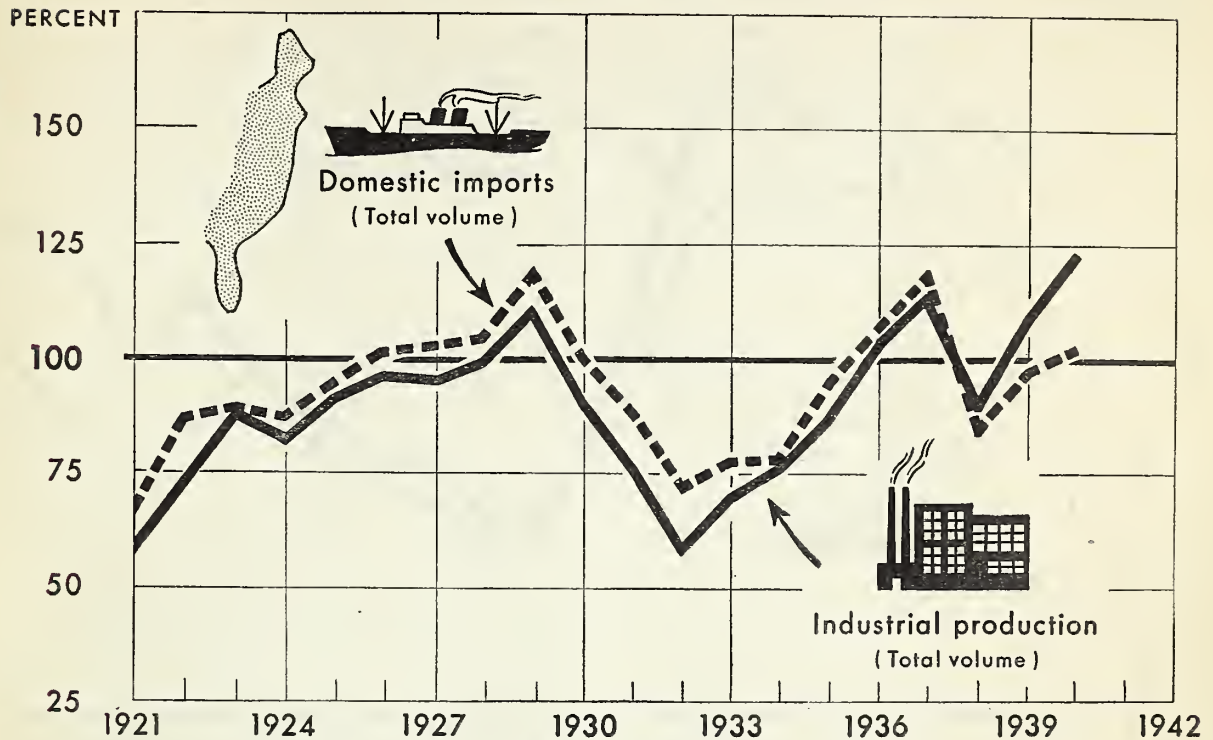


Figure 1.

The goods we import do not necessarily have to be bought from the same countries to which we are selling. Manufacturers in the United States may sell machinery to people in Canada. Canada ships wheat to England. England ships woolen cloth to the United States. The dollars that we pay for the English cloth can then be turned over to our manufacturers to pay for the machinery shipped to Canada. Our foreign customers cannot pay for goods they want to buy in the United States unless we buy goods from them. In other words, if we are unwilling to buy, we cannot sell.

Figure 2 (p. 4) shows how important foreign trade is to the United States. In 1928 we sold 5 billion dollars' worth of products to other countries and we bought 4 billion dollars' worth. Then, within 3 years, our sales abroad dropped from 5 to 2 billion dollars, partly from a drop in volume and partly from a drop in prices. The swift decline in foreign trade meant a loss of markets for our goods. The depression struck. Local markets became glutted, prices dropped, and unemployment spread.

During relatively high prosperity, 1923-29, exports and imports were high. During the period of depression, exports and imports were low. Exports and imports tend to rise and fall together. If, in the interest of high levels of economic activity at home, we want to expand exports after the war, we must facilitate also an expansion of imports.

## What Imports Do for Everybody

In ordinary times people do not realize how many of the things they use every day come from other countries. During the early period of the war, shipping losses and enemy occupation cut off many of our usual imports. At the same time our military needs for imported goods increased. People could see how much regular methods of living and military needs depended upon things from other countries. Our tin shortage affected our canning and packing industry. Many women went without their choice stockings and other clothing because of lack of silk. Lenses, razors, cameras, and leather goods were difficult to



## IMPORTS AND EXPORTS RISE AND FALL TOGETHER

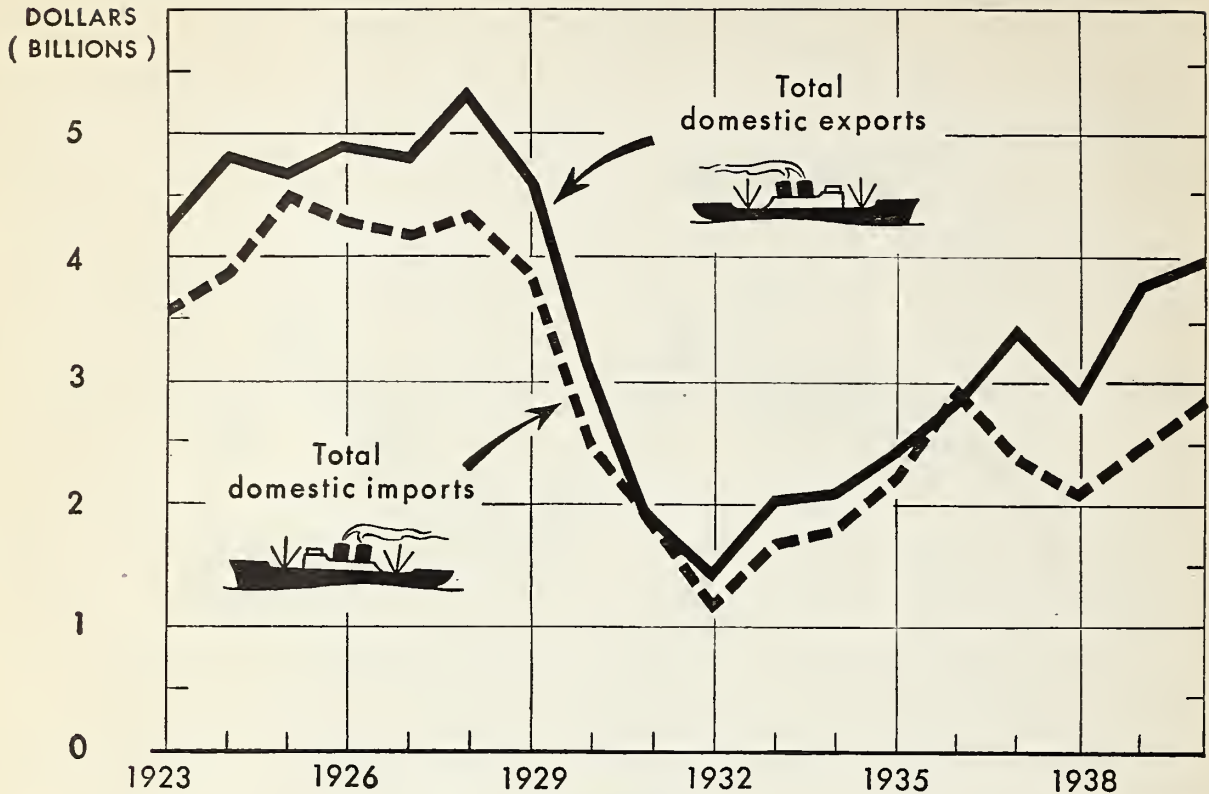


Figure 2.

obtain. Coffee was rationed. Pepper was limited. Spices ran out. Dates disappeared from stores. Candy and chocolate bars were scarce. The use of autos, trucks, and tractors had to be sharply restricted because of shortages of rubber tires. Farmers felt the lack of imported insecticides. Leather was short for shoes and harness. Bags, wrapping, and rope were scarce because of shortages of jute and hemp. Now ships are becoming more plentiful and a few more of these things are coming back into the markets.

In thinking about future policies, we must remember that the things we get for our own use from what is imported are just as important to help us work and live comfortably as are export markets for some of the things we make and wish to sell abroad. If the people of the United States are going to live well, they not only must be able to sell the things they make or grow, they must also be able to buy the things they want whether they are produced at home or whether they have to be imported.

### What Imports Do for Farmers

As consumers, farmers need coffee, sugar, tea, spices, rubber, leather, and silk. Even with the most adequate live-at-home program, the farmer cannot produce all that he needs. Even if he could, it would not be wise for him to do it, for he can live better by producing and selling the things he can produce best. We do not have the cheap hand labor for the economical production of silk, tea, or spices. Although somewhere in the United States there are areas which can produce many things that are not grown here, quite a number of products are not ordinarily produced here very much, because those things can be bought from other countries cheaper than they can be grown here. During wars, or during great depressions, such as in 1931-32, the interchange of products either by domestic or foreign trade is greatly reduced. Except in such abnormal times, our labor resources can be used to best advantage to produce more of those things from which we get best results, like corn, pork, tobacco, fruit, cotton, automobiles,

typewriters, etc., rather than the things that can be produced more advantageously elsewhere.

Farmers as producers need certain imported products to aid in the production of other goods. They must have rubber for truck and tractor tires, and insecticides and fungicides to protect their crops. Much of our leather is made from imported hides. Imported manganese, tungsten, chrome, nickel, and tin go into the making of many farm implements and equipment. Farm bags and wrapping are made from imported jute, binder twine from imported sisal, and ropes from imported abaca and hemp. Were it not for imported products, the farmer would have to change many of his production practices, or at least use equipment inferior in quality or higher in price.

## Foreign Trade Raises Living Level

Products from foreign countries are necessary, if people in this country are to maintain their high standard of living. Likewise, some of our goods are necessities for other people. World trade is not only desirable, it is necessary. Nevertheless, many people believe that when a country with a high standard of living trades with a country with a low standard of living, the country with the high standard will be reduced to the level of the other country. Experience does not support this argument. American-made automobiles sold on a relatively unprotected domestic market before the war. Workers in our auto factories in Detroit were paid far more per hour than were auto factory workers in certain other countries. Yet, in spite of the lower foreign wages, we bought few cars from them, whereas they bought a great many from us, even though they had heavy tariffs on imports of our cars. Our autos sold at far cheaper prices than theirs. We have higher production per worker because of machine processes. Our auto industry has the greatest domestic market in the world and greater opportunity for the use of mass-production methods. It is so much more efficient than the auto factories of other countries that despite the high wage per hour, the wage cost per car is lower here than in any other country. As long as the United States can produce the goods it sells abroad more efficiently than other countries, it does not need to fear that foreign competition on those goods will lower the level

of living here. On the contrary, exports of products that we can produce more efficiently than others will help to raise our level of living if we use the receipts from such exports to buy what other countries can produce more efficiently.

The same is true of other things the United States imports and exports. Foreign typewriters, adding machines, and sewing machines are made with far cheaper labor than are those made in this country. But factories in the United States are so much more efficient—they turn out so many more machines of the same quality per dollar's worth of labor—that competition of imported machinery does not drive wages in our factories down even though they compete with our products.

Foreign trade enables the peoples of the world to have a greater diversity of goods than they could possibly have if each nation used only what it could produce. Specialization makes it possible for workers to become more skilled in their work. People and resources can be employed in more efficient production. Duplicate facilities do not have to be provided in each nation. Less work is required to provide the necessities and luxuries of life. The costs of production are reduced. International trade makes possible higher standards of living for people of all countries. If we want increased prosperity throughout the world after the war, more international trade will be one essential element of it.

## Many Agricultural Imports Round Out Our Production

Our farmers are interested in the agricultural products imported, as well as those exported. Our largest single import before the war was rubber. It accounted for 19 percent of the value of our total imports in the fiscal year 1939. We did not produce any rubber at all prior to the war. The beverage products, coffee, cocoa, and tea, accounted for 15 percent of the value of all our imports. Silk amounted to 10 percent. None of these products are produced commercially within our borders; we do not produce all the sugar, or vegetable oils, or hides and skins that we need; we import what we need over and above the portion we produce ourselves. Coffee, cocoa, tea, carpet wool, crude rubber, vegetable fiber, spices, and silk constituted half of our total imports in 1939. In addition, we import considerable quantities of products which are the



# INCOMES OF FARMERS, INCOMES OF CITY WORKERS, AND IMPORTS OF FOOD PRODUCTS ALL MOVE TOGETHER

INDEX NUMBERS (1924-29=100)

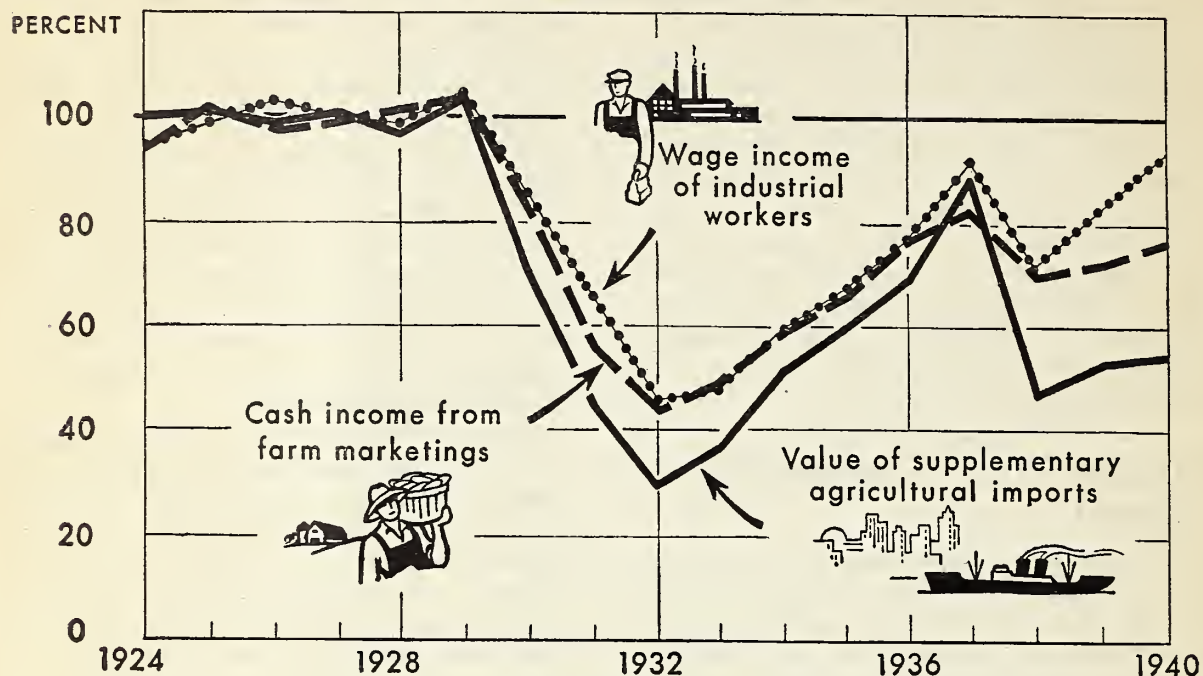


Figure 3.

same as or similar to commodities produced in the United States. Sugar is by far the largest of these imports.<sup>1</sup> Vegetable oils, wool, hides, and skins, and certain kinds of leaf tobacco are also important imports. In none of these fields is our production adequate to supply the needs of this country.

## Large Imports Come in Years of High Farm Prices

The same conditions that make prosperity here at home also raise the levels of our imports. Our farmers have been better off during the years when agricultural imports were high than they have been when imports were low (fig. 3). From 1924 to 1929 farm prices and farm incomes were high and business was booming. During those years imports were large. After 1929 farm prices and farm incomes fell sharply and so did imports. Obviously, it is only when farm prices are high and farmers in this country are prosperous that supplementary agricultural products can come in over the tariff and sell in this country. Figure 3 shows how closely supplementary agricultural imports and farm incomes rise and fall together.

Farm income, industrial wage income, and imports of supplementary agricultural products all follow the same trends (fig. 3). When industrial wages are high, farm income is high; when industrial wages are low, farm income is low. The same high employment and prosperous conditions that lead to high city incomes and high farm incomes also contribute to large purchases of goods from abroad. On the other hand, when people are hard up they spend less for farm products. More of their food demands can be satisfied from farms in this

<sup>1</sup> The Secretary of Agriculture, by law, must prohibit importation of fresh meat or meat animals from countries where rinderpest or foot-and-mouth disease is widespread, or where killing methods or inspection services do not adequately meet standards of the Bureau of Animal Industry. This now keeps out livestock and fresh meat imports from many South American countries. So long as infectious animal diseases are present in other countries animals or meat will not be imported from them in such forms as might introduce the disease here. Similarly, imports of citrus fruits are prohibited from areas infested by the Mediterranean fruit fly. Such sanitary precautions are necessary to protect our agriculture from the introduction of pests and diseases from abroad.



country, and smaller quantities of farm products need to be brought in from other countries.

### What Exports Do for Farmers

In the years preceding the first World War, domestic agricultural exports exceeded 1 billion dollars. In most of the 1920's, agricultural exports came close to or even exceeded 2 billion dollars. During the depression they dropped substantially, and they fluctuated around three-quarters of a billion dollars in the years preceding the present war. This loss of export markets made necessary Government aid and assistance to agriculture as well as restrictions of crop acreage.

Export markets take a large part of the total production of certain crops. During the 5-year period, 1935-39, 45 percent of the cotton acreage, 30 percent of the tobacco acreage, and 15 percent of the rice acreage in the United States was devoted to production for export. If no agricultural products had been exported during this period the average cotton farmer would have had to reduce his acreage further by nearly

one-half, and the average tobacco farmer would have had to reduce his acreage by almost one-third, and so on for farmers who produce other goods for foreign markets.

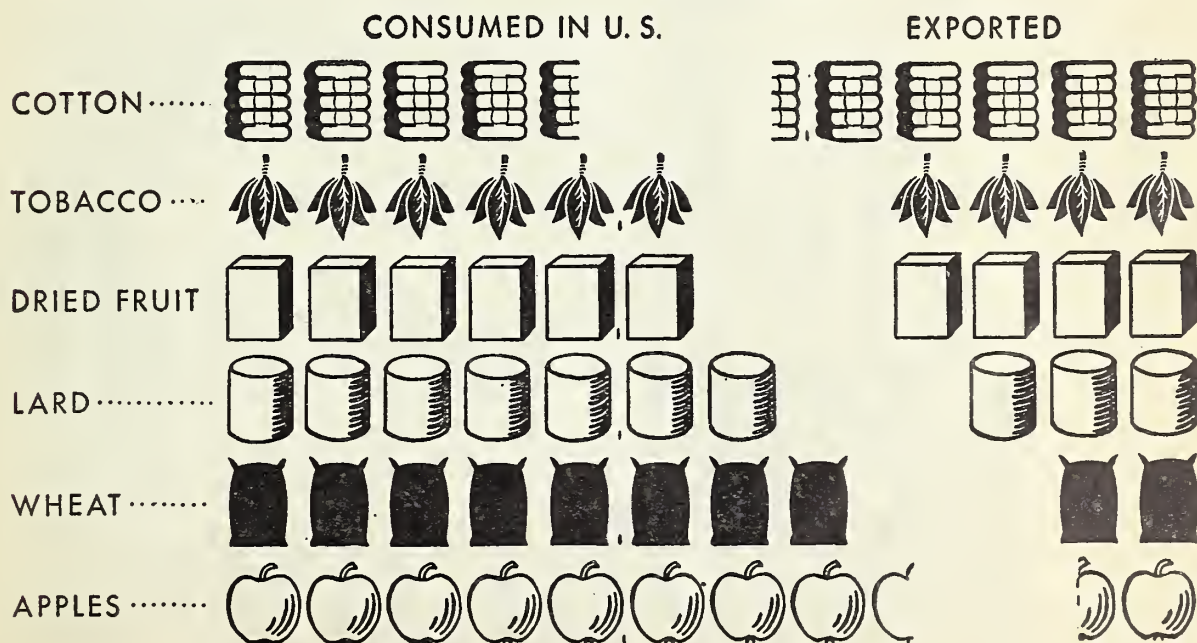
If farmers of the United States could not sell their goods abroad, it would be necessary to retire 25 million to 50 million acres of cropland which are ordinarily devoted to production for export markets, or to shift these acres to the production of other products. Many farmers would have to go out of business or find new sources of cash income. The importance of the export market to farmers is clearly illustrated in figure 4. During the 10 years, 1925-34, for every 7 bales of cotton consumed in the United States, 8 bales were exported. For every 6 pounds of dried fruit consumed in the United States 4 pounds were exported. Sixty-seven percent as much tobacco was exported as was consumed in this country.

### Foreign Trade Alone Cannot Insure Prosperity

Except during times of war, the United States has difficulty in maintaining markets here at

## LARGE PORTIONS OF CERTAIN FARM PRODUCTS HAVE BEEN PRODUCED FOR EXPORT

(10-YEAR AVERAGE 1925-34)



Each unit represents 10 percent of total disappearance

Figure 4.

home for as much as we are capable of producing. During the reasonably full employment of the decade of the 1920's, foreign loans and industrial and agricultural exports paid for in part by those loans helped maintain domestic employment here. Something of the same sort may happen in the first decade after this war. Last time, after the foreign loans stopped, international trade slumped. Undoubtedly this contributed to the world depression which followed.

This time we face the challenge: As export trade supported by loans begins to decline, can we find other ways to maintain markets? To do that, we must maintain and increase our own domestic consumption, both of the things we make here and of the things we buy from other countries, to such an extent that the farmers and workers of this and other countries can continue producing and consuming up to their full capabilities.

Large exports supported by foreign loans can help support markets for a time after the war,

and thereafter high levels of international trade both ways can go along with world prosperity. But international trade, no matter how high, cannot by itself solve the problem of maintaining our own internal buying power on a level with our own ability to produce. That problem must be met and solved as an essential yet separate issue. Much of the future prosperity and happiness of all peoples will depend upon our working out the right answer to this problem in the years after the war.

## Depression and Self-sufficiency Lowered International Trade

There was a sharp decrease in agricultural exports from the United States from 1924 to 1932 (fig. 5). Since then there was only a moderate increase in these exports until the outbreak of the present war. There are many reasons for this. For one thing, the population

### TOTAL DOMESTIC UNITED STATES EXPORTS AGRICULTURAL AND NONAGRICULTURAL

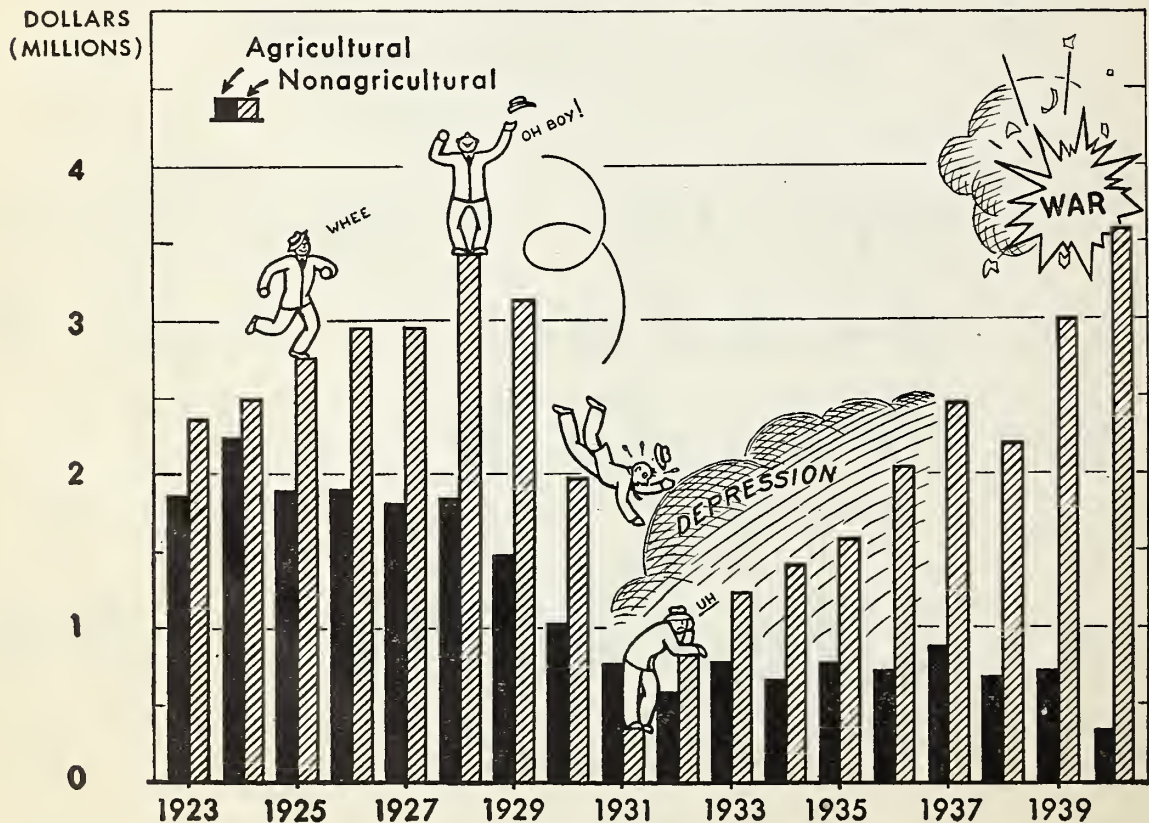


Figure 5.



of this country increased one-tenth, and more of the total food production was needed here in the United States.

The great depression after 1929 forced many nations to adopt desperate expedients, such as very high tariffs, quotas on imports, and subsidies to producers. The trend toward national self-sufficiency was greatly strengthened in many European countries. Nations tried to produce all they needed to become self-sufficient in the face of possible war. The barter system and bilateral trade agreements became very important in international trade. Home markets became glutted and prices fell. National subsidy of exports was undertaken in order to relieve glutted markets in exporting countries by forcing the export of goods. Agricultural production was one of the easiest ways of becoming self-sufficient and one of the most important to a nation at war, or expecting war. European countries shifted their production to direct consumption crops like grain and potatoes, ate less meat and livestock products, and some lowered the quality of their bread. Their food declined in quality and yet cost more, but they could get along with less dependence on food imports. Nevertheless, they did not become fully self-sufficient. No nation can be, and maintain a high level of living.

### **Restricted International Trade Lowered Exports of All Farm Products**

From 1929 to 1939 agricultural exports of this country fell more than 60 percent. The export of cotton and bread grains decreased 68 percent in those 10 years. Tobacco exports decreased 47 percent, and fruit and fruit preparations decreased 41 percent, but the export of certain fruits, like oranges and pears, did not suffer much. Such reductions in the foreign markets seriously affected the farm prices of these crops in this country, reduced the quantities that could be sold, and contributed to the need for the Agricultural Adjustment Agency programs of crop control. The value of agricultural exports fell by a billion dollars from 1929 to 1939.

During various periods of the depression decade, prices of United States farm products were supported at levels above the world level, in part by stabilization operations of the Federal Farm Board, and in part by A. A. A. commodity loans. When United States prices were held above the world levels, exports

tended to decline. One of the factors that will influence farm exports after the war will be whether we are willing to sell at the level of world prices which then prevail.

### **Farmers Gain From the Export of Industrial Products**

Farmers are affected by what happens to industrial exports as well as by what happens to farm product exports. During the depression, industrial as well as agricultural exports fell off. Factory workers lost their jobs. They did not have money to buy their usual food and clothing. Farmers were doubly hit. They could not sell their products at home, nor abroad. Therefore, farmers have a double interest in high levels of foreign trade; it increases their markets abroad and at home.

The manufacture of industrial goods for export results in greater numbers of wage earners and larger pay rolls. Larger pay rolls mean greater demand for farm products. Figure 6 (p. 10) shows that farm income rises and falls about the same as the value of industrial production and the value of finished manufactured goods exported. When industry is running full blast the farmer finds good domestic markets for his agricultural products among nonfarm workers, and he finds that the domestic market is far more important than the foreign one.

For example, here is how farmers benefit from the export of automobiles. Additional workers are employed in automobile plants; this means that pay rolls are larger, and more money is available for buying farm products. In 1937, the production of autos for export was responsible for about 55 million dollars of factory wages. These workers spent about 18 million dollars for food. The sale of autos for export added millions of dollars to the demand here at home for meat, milk, fruit, vegetables, and other farm products.

The automobile industry is only one example of how farmers benefit from the export of non-farm products. Similar results come from the export of typewriters, machinery, clothing, and chemical or electrical supplies. Farmers are largely dependent upon nonfarm workers to buy most of their farm products. The larger the number of nonfarmers employed in producing for the domestic market or for export, the greater their total pay roll, and the greater their demand for food and clothing.

## FARM INCOME RISES AND FALLS WITH INDUSTRIAL PRODUCTION AND INDUSTRIAL EXPORTS

INDEX NUMBERS (1924-29=100)

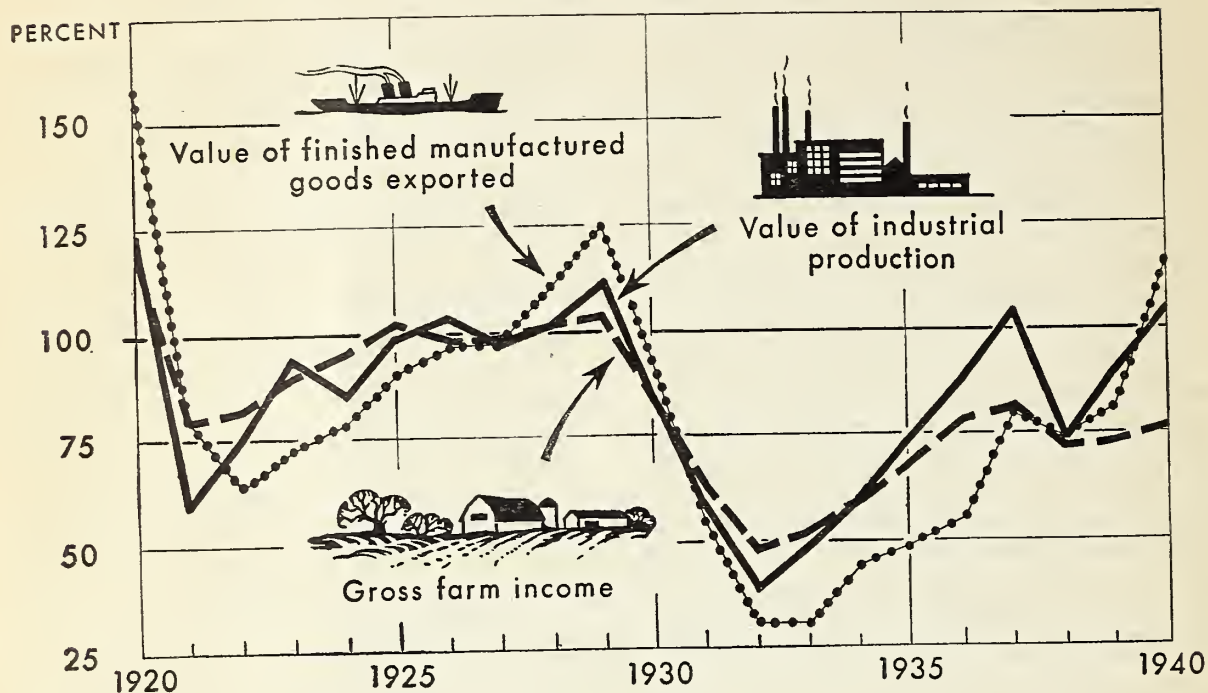


Figure 6.

### Lend-Lease Takes Many Farm Products

In the beginning of the war, food was sent through lend-lease agreements to our fighting allies in greater quantities than industrial materials or weapons. After military production became larger the value of foodstuffs lend-leased still ranked next to aircraft and watercraft, and exceeded the value of tanks or ammunition or any other item of armaments. From March 1941 through December 1943, the value of foodstuffs and agricultural products lend-leased was more than 3 billion dollars (fig. 7).

The great increase farmers have made in our food production during the war has enabled us to supply large quantities of food to our allies and to meet our own wartime needs. The total foods exported under lend-lease have been a small part of the total United States supply.

Larger quantities of certain foods have been lend-leased than of others. Because of their

nature certain foods could be shipped and stored without undue spoilage. These foods provided our allies the most nourishment with the least shipping. During 1943, more than one-fifth of the United States supply of dried fruit was shipped abroad under lend-lease. More than one-seventh of our cheese, one-tenth of our eggs (mostly dried egg powder), one-tenth of our dried beans and peas, and nearly one-tenth of our meat, have been lend-leased. Nevertheless, because of increased food production, consumers have had even more to eat of all foods combined than they had before the war (fig. 8, p. 12).

During the 10 years from 1931 to 1940, the total value of all agricultural exports was never as great as a billion dollars a year. The value of agricultural products exported under lend-lease has averaged more than a billion dollars a year for the last 3 years. On top of that, huge quantities have been shipped to our own fighting men abroad. It is worth while for farmers to realize how important a market lend-lease is for their products.



Lend-lease stock piles of agricultural products are now being built up to provide relief and rehabilitation for peoples of occupied countries as soon as the enemy is driven out. Foreign demand for our food products will probably be high for a year or two after the war. It probably will take some time for production within war-torn countries to be adequate to meet the needs of the people. Even when the war and lend-lease are over, there might still be a foreign demand for our dried eggs and milk and concentrated fruit juices and some other farm products as an outgrowth of the demand for them during the war.

After exports for war uses and post-war relief are over, farmers will face the problem of what to do with their expanded production. If we can succeed in maintaining high levels of business activity here at home, that in itself will help to solve the problem. Our own people are ready to eat much more fruit and butter and cheese and meat than is available today if only they continue to have work and high levels of income. High levels of international

trade, with expanding business abroad and high levels both of imports and of exports, would also help to make post-war use for our wartime expansions in agricultural capacity.

### What Are Tariffs?

Imports and exports both in our own country and in other countries have been materially influenced in the past by tariffs imposed by the several countries. In discussing foreign trade it is therefore important to understand just what tariffs are and how they work.

Tariffs usually are taxes which must be paid on particular products before they are brought into the country. Sometimes the purpose of the tax is to raise revenue. In other cases, its main purpose is to keep products out of the country, and so promote local production of a given product or raise its price. In general, a tariff tends to raise the cost of the product to the consumer of the country that imposes the tariff, and to lower the return to the producers in the exporting country. Thus tariffs tend to hamper international trade.

## GOODS WE HAVE LEND-LEASED

FROM MARCH 1941 THROUGH MARCH 1944

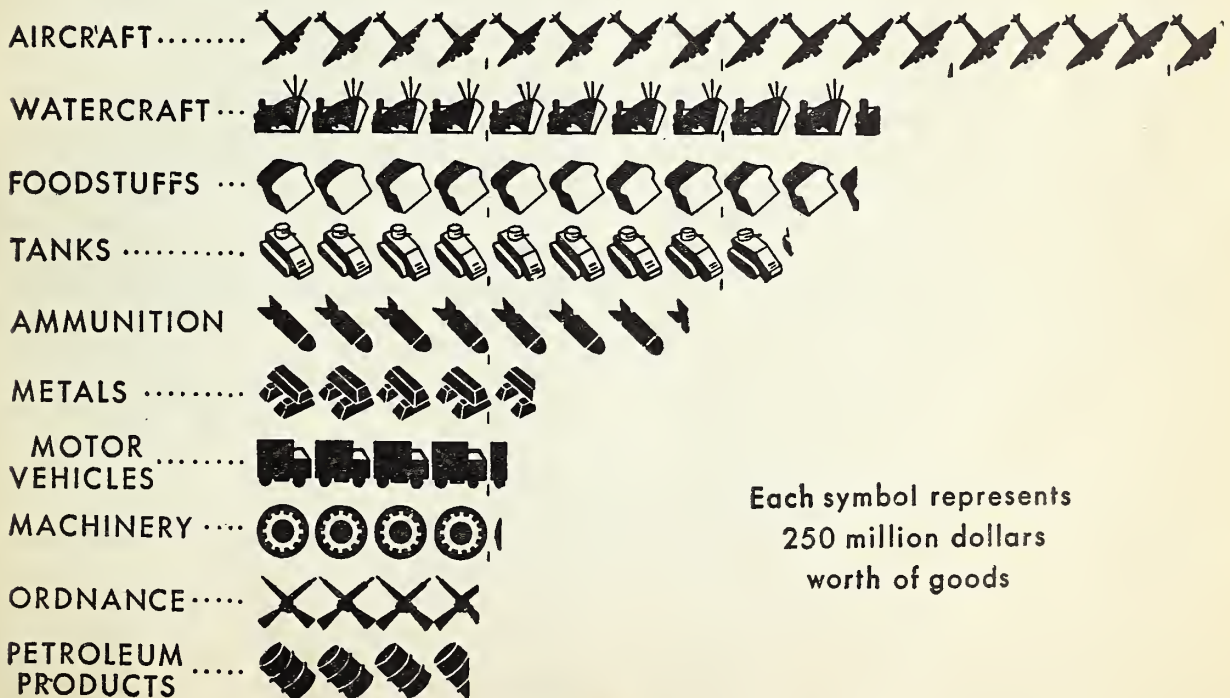


Figure 7.

## MORE FOOD PRODUCED AND SENT TO WAR

### 1943 PRODUCTION AS PERCENT OF 1935-39 AVERAGE

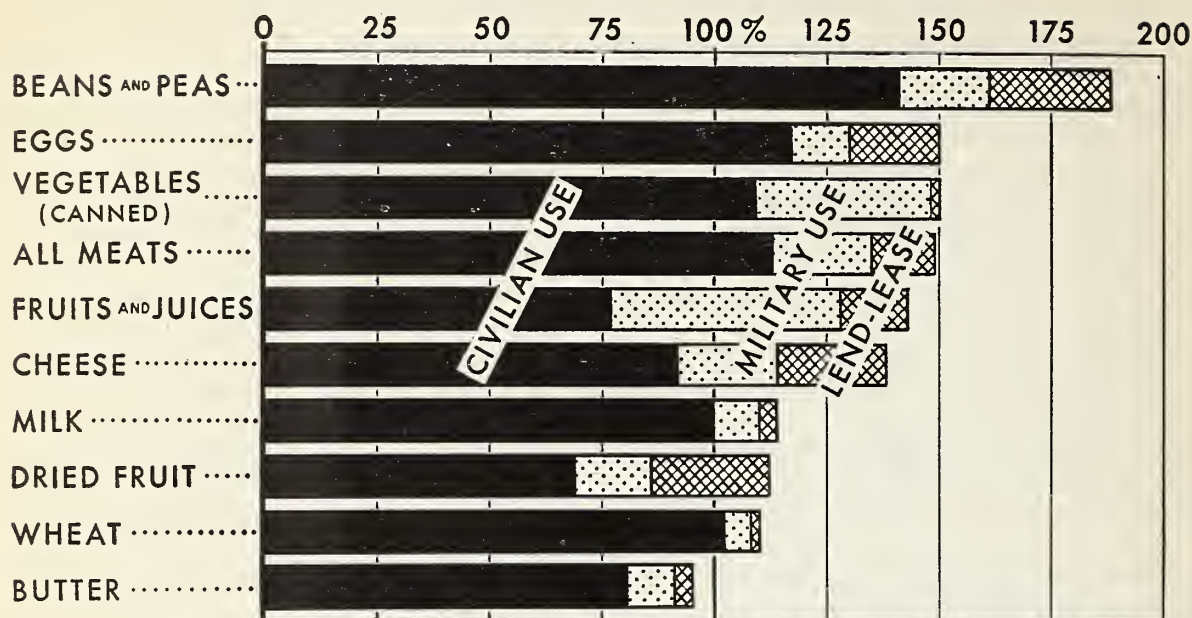


Figure 8.

### How Tariffs Affect Demand for Your Farm Products

Raising tariff barriers is just one of the ways of restricting international trade. A common practice in various countries during the recent depression was to fix import quotas which limited imports of specific products to specific quantities. Still another practice was to manipulate exchange rates of money in order to encourage exports and to discourage imports. During the war, the practice of granting import licenses has limited shipping space to essential commodities and consequently it has limited or prevented international trade in nonessential commodities. For military or other nationalistic reasons, or to ameliorate a particular domestic situation, the various nations have found many different ways of controlling international trade.

Any policy that tends to keep people from doing the thing they are best suited to do results in an economic loss to the nation that practices it. Sometimes for military reasons the situation cannot be as we would like it. Everyone could have more goods and services if everything were produced where it could be produced cheapest and best, if goods moved freely, and if

everyone were kept at work. For example, in 1934, the price of wheat in Germany was \$2.14 a bushel. On the other hand, there was plenty of wheat in the United States, where the export price averaged 60 cents a bushel. Yet, in order to encourage production of wheat in Germany, Italy, France, and other European countries, the people there were not allowed to benefit from efficient production in the United States. As a result, the cost of cereals and cereal products to the people in these countries was increased, and they had less money to buy other products such as dairy products, meats, and vegetables. Wheat was cheap in the United States. Our farmers had more wheat than they could sell. Both the United States and Germany would have profited by higher levels of international trade.

Everyone agrees that the United States must import certain goods from other countries. Nevertheless, when it comes to importing products that compete with our goods, even though at competitive prices we cannot produce enough to supply all we need, protests are heard. The cry is to raise tariffs or other import restrictions so as to keep supplementary products out of this country. As one group of



producers gets protection for its goods, another group insists on protection. Trade barriers mount higher and higher, and fewer goods can be imported. As the United States places tariffs or other import restrictions on foreign goods, foreign countries place restrictions on our goods. Fewer goods enter world trade. Peoples of all countries have fewer goods and services, and high import taxes mean that they must pay higher prices for the goods they get.

Generally, high tariffs mean that the producers who are protected get higher prices for their goods—but that is not the whole story. Much of the advantage gained from high prices for what the group sells is offset by high prices of what they buy. Then, too, these producers could probably serve themselves and society better if they were engaged in more efficient production. Protection for certain producers means that other producers and consumers are adversely affected.

Unless we buy goods from foreign countries, they will not be able to buy goods produced in the United States. For example, from 1928 to 1932, the quantity of our imports of sugar from

Cuba dropped from 6 billion to 4 billion pounds. At the same time the quantity of pork products we sold to Cuba dropped from about 120 to 34 million pounds. Figure 9 illustrates this point. In September 1934, an agreement was reached whereby more Cuban sugar could enter the United States. Within 12 months our export of lard to Cuba nearly doubled, with an increase of 16 million pounds. By 1941, our sugar imports from Cuba began to reach the level of our 1928 imports, and our lard exports to Cuba increased also.

### Trade Agreements Helped Increase International Trade

During the pre-war years, reciprocal trade agreements between the United States and other countries resulted in lowering tariff duties, increasing quotas, and increasing our international trade with the countries participating in such agreements. In making these agreements the United States asked the foreign countries to lower their tariff rates or other restrictions on products we wished to sell to them, and in turn we reduced our tariffs on certain products they

## WHEN WE BUY LESS FROM CUBA.....CUBA BUYS LESS FROM US

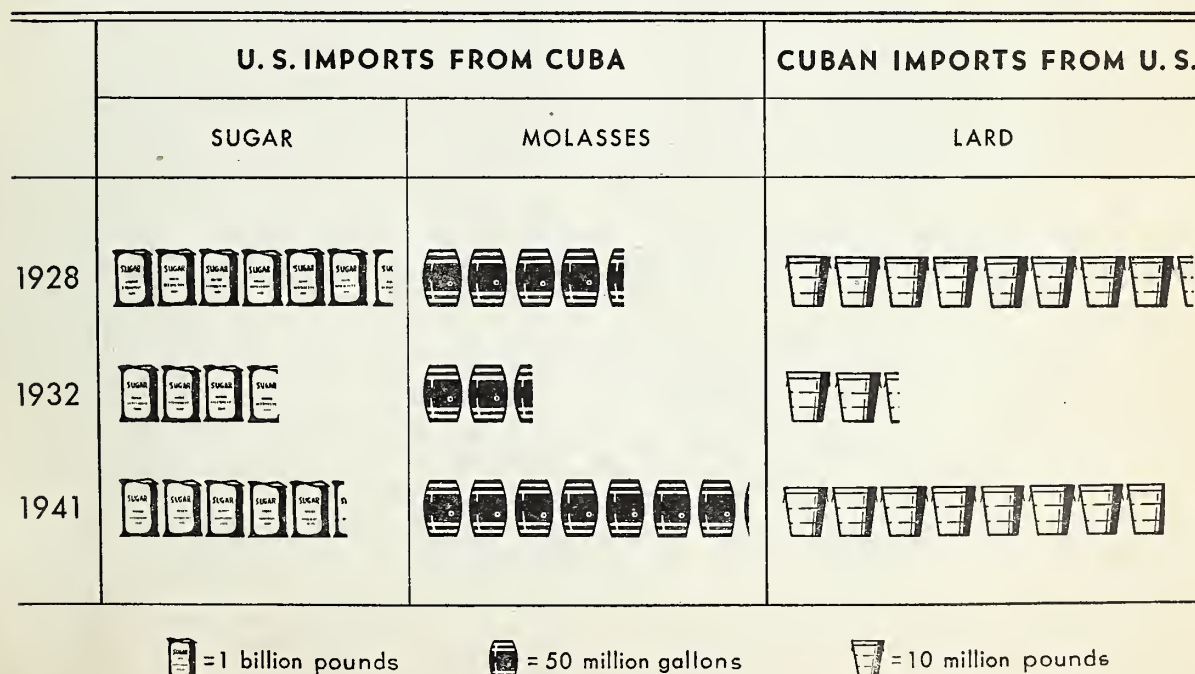


Figure 9.

wished to sell to us. A study of the export of agricultural commodities for which concessions were obtained under the trade-agreements program, will reveal the beneficial effect they had. Our annual exports of these commodities were 72 percent greater in the period 1936-38 than they were in 1934-35. During the same period, the increase in exports of the same commodities to countries with which we did not have trade agreements was only 12 percent.

## Post-War Planning Can Increase World Trade

Whether we keep up high levels of international trade after the war will depend partly upon what we and other countries do to reduce tariffs and other barriers to international trade. It will depend in part on what is done through the United Nations Relief and Rehabilitation Administration, the proposed international Stabilization Fund and Bank for Reconstruction and Development, and other international organizations such as the agricultural commodity office and the permanent international agricultural organization which were proposed at the Hot Springs Conference on Food and Agriculture. It will also depend in part upon what the various nations do through commodity agreements, through development programs, and through other means to stimulate the levels of production and trade. And further, what is done by our Congress and our Departments of State, Commerce, and Agriculture will have a part in readjusting our industry and agriculture to better meet the needs here and abroad after the war.

If the nations of the world begin to boost tariffs again, to practice self-sufficiency, to set up import quotas, etc., they can strangle foreign trade just as thoroughly as they did during the 1930's. If we and other nations continue to reduce trade barriers, as we have been doing recently through the trade-agreements programs, and to take other appropriate measures to continue high levels of production and consumption, we can clear the way for continued high levels of world trade in time of peace.

Various ways to expand international trade are now being carefully studied by the United States Department of Agriculture. A detailed discussion of the problems and possibilities of increasing world trade will be available soon.

## World Trade Is Necessary for World Prosperity

The nations of the world are economically interdependent. World trade is necessary in order to obtain efficient use of land, labor, and capital. The raw materials of the world are not evenly distributed. Peoples of different cultures have different skills, resources, and facilities for production. For example, the Chinese are especially skilled in producing silk and tea and at doing fine embroidery. In Malaya and the East Indies the climate is favorable for growing rubber, and the people are adept at it. Just as the United States is the world leader in the production of automobiles, typewriters, and sewing machines, the Swiss are outstanding in the production of fine-quality watches; the English produce high-quality tweeds, needles, and hand-made shoes; the Italians produce fine leather gloves and art products; the Swedes produce high-quality razor blades; the Germans produce fine cameras, microscopes, and optical instruments. Almost every nation has some particular specialty in which it excels. Such differences in productive capacities arise out of the differences in natural resources and climate and in the culture and skill of peoples. It is obvious that there is a best place, a second- and a third-best place for producing everything. It is equally obvious that if people are to benefit from these relative advantages and specialized skills, nations must trade their products with each other.

The high standard of living in the United States may in part be attributed to the fact that we have, within our own borders, one of the largest and richest areas in the world that is free from tariffs and relatively free from other trade barriers. International trade makes it possible for the various peoples of the world to obtain more economically the food, clothing, fuels, and raw materials they need. Without foreign trade, people would have to work longer hours to produce the goods they use; they could not obtain the variety or quality of food to which they are accustomed; they would have fewer luxuries and conveniences, and they would pay more for them. Trading the goods which one nation produces at advantage for goods in which another nation has the advantage would raise the level of living of all countries. Increased trade in the world's goods would lessen the strain between the so-called "have" and "have not" nations.



## World Trade Is Necessary for Lasting Peace

World events during the last 15 years have demonstrated how the trend toward national self-sufficiency led to war. During the depression of the 1930's, the decline of employment and trade meant unemployment for thousands of people. Home markets became glutted. Trade was developed. The level of living fell. Unemployed men were formed into labor battalions and into armies. Hopeless, poverty-stricken men were fertile soil for agitators who preached conquest as the way out. The desire for self-sufficiency resulted in nations with inadequate resources coveting or seizing neighboring territory from other nations. In the mad striving for self-sufficiency and in the growing armed strength the seeds were sown for World War II.

As world trade decreased, unemployment and standing armies of the world increased. In 1925 and 1929, when world trade was high, world unemployment and world armies were small. When world trade was greatest, un-

employment and the size of standing armies were lowest; and when world trade fell, unemployment soared and armies increased. In the post-war period care must be taken to see that we do not let similar distressed conditions develop and lead to another war.

International trade is a good barometer of world conditions. When the volume of goods moving in international trade is large, the peoples of the world enjoy prosperous conditions. Farmers receive high incomes. Industrial workers receive high wages. On the other hand, when world trade recedes, incomes drop. Production falls off. Unemployment spreads. The size of standing armies rises. High levels of world trade contribute to peace and prosperity, but throttled and declining world trade may lead to war.

## What Farmers Can Do To Encourage Foreign Trade

Efficient production is one of the greatest factors in stimulating foreign trade. Therefore we ought to continually strive to produce the

### AS WORLD TRADE DECLINED, UNEMPLOYMENT WENT UP, AND ARMIES WERE ENLARGED

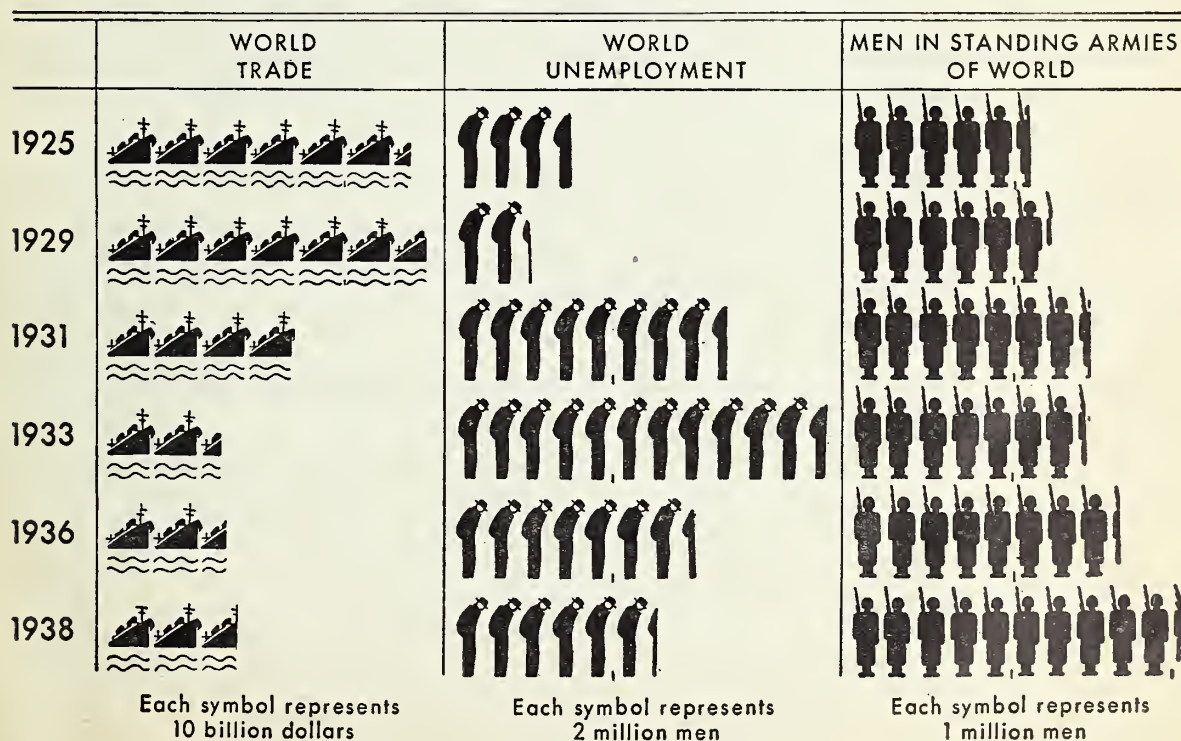


Figure 10.

highest quality of products possible at the lowest costs. The most efficient farm-management practices will have to be used if the farmer is to obtain the greatest returns for the use of his land, labor, and capital. If farmers in the United States can produce their export products more efficiently than the farmers of other countries, they have met a basic requirement for continued world trade.

In order for us to maintain a relative advantage of production, we must produce those crops for which our resources are best suited.

Accordingly we will have to reduce the production of crops which can be grown here only under heavy tariff protection or other forms of Federal subsidy. We should be alert to find other products better suited to our conditions. The more we can get away from "hothouse" production of poorly suited products behind tariff walls, the more we can raise our own agricultural efficiency here at home, and contribute to increased and sustained prosperity here and in other countries.

Foreign trade in agricultural products cannot

be maintained indefinitely unless farmers save the fertility of the soil by proper conservation methods. Exports produced by soil depletion are of little permanent value to us.

Informed public opinion paves the way for developing international trade relations. Farmers will want to study the different phases and results of foreign trade. As consumers, farmers are interested in being able to buy all the things they need; and, as producers, they are interested in being able to sell what they produce. We must remember that, in the long run, we cannot export unless we also import. We should keep in mind that we benefit from the export of nonfarm products because it results in increased domestic demand for farm products.

When proposals are discussed either for shutting out products from abroad or for aiding the importation of foreign products we should remember the relations of foreign trade to worldwide prosperity and peace, and to the general level of production and employment here, as well as the immediate short-run effects on markets for their particular products.

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## Other United States Department of Agriculture publications which deal with post-war programs:

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Demand for Farm Products Depends Upon the City. [Processed.]

Let's Talk About Buying and Selling Farm Products Abroad. DS-25.

American Farmers and the United Nations Conference on Food and Agriculture. Farmer and the War—5.

Redirecting World Agricultural Production and Trade Toward Better Nutrition. [Processed.]

Shall I Be a Farmer? AWI-105.

The Need for Rural Housing. [Processed.]

What Post-War Policies for Agriculture? Farmer and the War—7.

Agriculture When the War Ends. [Processed.]

Guiding Principles for Establishment of Veterans and Others on Farms. [Processed.]

Disposal of Surplus Military Lands. [Processed.]

Comments on Rural Housing Problems. [Processed.]

NOTE—These publications may be obtained from the Office of Information, United States Department of Agriculture, Washington 25, D. C.





